

Statement of Practice (Additional) (SP 9/11)

Claims for Bad Debts

The following amendment and addition are brought to the Statement of Practice (SP 3/09) on Claims for Bad Debts –

(i) Small amounts

The threshold for considering a debt owed to banks as small is increased from Rs100,000 to Rs200,000 and to others from Rs25,000 to Rs50,000.

(ii) Debts owed by SMEs to banks

The law now allows any loan made by a bank to a small and medium enterprise and which has become irrevocable to be considered as bad for income tax purposes.

Such a debt may be allowed as bad even if the outcome of any recovery action is not known at the time the debt is written-off as bad by the bank.

27 December 2011